



NEWS RELEASE

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WHAT IS A 'SMALL' BUSINESS? SBA TO SHIFT TO NEW CLASSIFICATION SYSTEM

WASHINGTON – The U.S. Small Business Administration (SBA) plans to adopt within the next year a new, more precise industrial classification system that will serve as the basis for the agency's widely used small business size standards.

The new system, known as the North American Industry Classification System (NAICS), reflects recent business development trends by listing a greater number of advanced technology and service industries than the current Standard Industrial Classification (SIC), which has been in use since the 1930s.

The NAICS classification system now is used to compile business and trade statistics in the United States, Canada and Mexico.

"A business owner can't compete with a manual typewriter when the rest of the world is humming along with computers, and that's one way to think about this move from SIC to NAICS," said SBA Administrator Aida Alvarez. **"Whole new industries have emerged since the SIC system was first developed. Shifting to the new NAICS-based size standard table will help the SBA open new doors of opportunity for small business owners in these emerging industries."**

Federal procurement officials and others use size standards to determine whether a business is large or small. Knowing the correct size standard can pave the way for a firm to receive contracts and assistance reserved only for small businesses.

The SBA outlined its vision for the new NAICS system in a proposed rule in the Oct. 22 issue of the *Federal Register*, which can be obtained through the Internet at <http://www.sba.gov/size/section04c.htm>. The proposed rule seeks adoption of the NAICS-based size standards on Oct. 1, 2000 – the start of the federal government's fiscal year 2001.

As part of the switchover, SBA plans to use the guidelines outlined in the rule to convert size standards based on the SIC system to size standards for the NAICS system. Through this process, SBA intends to retain, to the extent practical, the small business status of firms currently eligible for federal small business programs. Interested parties may file comments until Dec. 21, 1999.

Further information about NAICS is available on the U.S. Bureau of Census' web site at <http://www.census.gov/naics>.

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